

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 SS-15 NSC-05 DODE-00 PA-01 USIA-06 PRS-01

/073 W

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R 260613Z APR 76

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 0065

INFO USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: ETRD, EEWT, EPAP, CH, US

SUBJECT: PRC POLICY ON TEXTILE EXPORTS TO US

SUMMARY: A PRC OFFICIAL, COMMENTING ON POSSIBLE US TEXTILE RESTRAINTS TO AN AMERICAN JOURNALIST AT THE CANTON FAIR, DEFENDED THE 1975 LEVEL OF TEXTILE EXPORTS TO THE US, BUT ALSO INDICATED THAT THE FUTURE COTTON TEXTILE EXPORT GROWTH RATE MAY BE MORE MODERATE. THE REDUCED RATE MAY RESULT FROM ECONOMIC FACTORS, A CONSCIOUS DECISION REFLECTING SENSITIVITY TO ROWING US PRESSURE, OR BOTH. THE OFFICIAL'S ATTITUDE PROBABLY REFLECTS PEKING'S UNCHANGED POSITION OPPOSING QUOTAS ON ITS TEXTILE EXPORTS TO THE US. END SUMMARY.

1. SOON AFTER THE 1976 SPRING CANTON FAIR OPENED APRIL 15, A CHINA NATIONAL TEXTILE IMPORT AND EXPORT CORPORATION (CHINATEX) OFFICIAL RESPONDED TO AN AMERICAN JOURNALIST'S QUESTION ON POSSIBLE IMPOSITION OF US
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TEXTILE QUOTAS BY CITING THREE FACTORS TO DEFEND PAST

CHINESE EXPORTS, AND A FOURTH TO SUGGEST THAT FUTURE GROWTH RATES WILL BE MORE MODERATE. FIRST, HE NOTED THAT CHINA HAD ONLY RECENTLY STARTED EXPORTING TEXTILES TO THE US, AFTER A LONG HIATUS. FURTHER, HE SAID THAT 1975'S RAPID GROWTH RATE WAS DUE TO THE INCREASED DEMAND CREATED BY RAPID US ECONOMIC RECOVERY. FINALLY, HE ASSERTED THAT THE US PRINTING AND DYING INDUSTRY IS NOT RUNNING A FULL CAPACITY DUE TO INSUFFICIENT GREY CLOTH SUPPLIES. SINCE THIS NEED IS NOT BEING MET BY THE DOMESTIC TEXTILE MANUFACTURING INDUSTRY, CHINA SEES NO REASON WHY IT SHOULD NOT FILL THE DEMAND. IN THE FUTURE, BY CONTRAST, SUCH RAPID GROWTH WILL PROBABLY NOT CONTINUE. CHINATEX IS NOW RUNNING DOWN ITS "STOCKPILE" OF CLOTH. WHEN THAT IS FINISHED, CHINATEX WILL ONLY BE ABLE TO EXPAND EXPORTS GRADUALLY. ALSO, CHINATEX MUST CONSIDER DEMAND FROM OTHER COUNTRIES IN ALLOCATING INCREASED SUPPLIES.

2. THE AMERICAN JOURNALIST (STRAUSS--JOURNAL OF COMMERCE AND FAR EASTERN ECONOMIC REVIEW) TOLD CONGEN ECONOFF HE FOUND THE CHINATEX OFFICIAL, A "MR. CHIANG," WHO WORKS IN THE COTTON CLOTH EXPORT DEPARTMENT OF CHINATEX, VERY KNOWLEDGEABLE ABOUT THE US TEXTILE MARKET.

3. CHIANG ALSO CONFIRMED THAT PRC TEXTILE EXPORTS TO THE US IN 1975 WERE FACILITATED BY A DIFFERENTIAL PRICING POLICY. CHINATEX SETS ITS US MARKET PRICE BELOW THAT FOR OTHER MARKETS TO COMPENSATE FOR THE HIGHER US NON-MFN TARIFF. HE NOTED, THAT CHINATEX IS CAREFUL IN SETTING ITS GREY CLOTH PRICES EVEN TAKING INTO ACCOUNT CURRENT AND FUTURE US RAW COTTON PRICES. THE US, HE ADDED, IS A MARKET WITH GREAT POTENTIAL, AND CHINATEX WANTS TO GET INTO IT. SINCE CHINATEX WANTS TO BUY FROM THE US, IT MUST ALSO SELL TO IT.

4. COMMENT: THE CHINATEX OFFICIAL'S SEEMINGLY WELL PREPARED REMARKS APPEAR DESIGNED TO DEFEND PRESENT EXPORT LEVELS YET WEAKEN POTENTIAL US CRITICISM OF THEM BY HOLDING FORTH THE PROMISE THAT FUTURE CLOTH EXPORTS WILL DECLINE. THE STATEMENT DOES NOT SEEM LIMITED OFFICIAL USE

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TO SIGNAL ANY DEPARTURE FROM PEKING'S KNOWN OPPOSITION TO QUOTAS ON ITS US TEXTILE EXPORTS. WHILE REDUCED DROWTH IF IT MATERIALIZES, COULD HAVE SEVERAL CAUSES, CHIANG'S STATEMENT REGARDING A RAPIDLY DIMINISHING STOCKPILE OF COTTON CLOTH IS SUPPORTED BY EARLY REPORTS FROM THE SPRING CANTON FAIR THAT THERE IS A SHORTAGE OF COTTON FABRIC FOR SALE. AS A RESULT, SOME BUSINESSMEN ARE BEING QUOTED DELIVERY TIMES

BEYOND THE FALL 1976 CANTON FAIR (OCT. 15-NOV. 15).
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Disposition Authority: izenbei0
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Disposition Date: 28 MAY 2004
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Margaret P. Grafeld
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TAGS: ETRD, EEWT, EPAP, CH, US
To: STATE
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